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INFO LOC-88 ACDA-15 AID-88 AMCD-81 CEA-01 CIAE-00 CIP-88
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P 280336Z FEB 92 ZDK
FM AMEMBASSY BEIJING
TO SECSTATE WASHDC PRIORITY 8684
INFO AMCONSUL SHENYANG
AMCONSUL GUANGZHOU
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E.O. 12356; DECL: GADR
TAGS: ETRO, TSPA, ETTC, CB

SUBJECT: AEROSPACE OFFICIALS COMMENT ON SANCTIONS,
SATELLITE LAUNCH PRICING

REF: (01) STATE 378855

1. SUMMARY. CHINESE AEROSPACE OFFICIALS ARE
INTERESTED IN CONTINUING DISCUSSIONS ON PRICING ISSUES
FOR SATELLITE LAUNCHES AND REMAIN CONVINCED THAT THEY
ARE LIVING UP TO THEIR END OF THE AGREEMENT ON TRADE
IN LAUNCH SERVICES. IN A MEETING FEBRUARY 26, THEY
ALSO ASKED ABOUT U.S. WILLINGNESS TO EXTEND THE
TIMEFRAME FOR LAUNCHES UNDER THE AGREEMENT BEYOND 1994
AND INVITED THE U.S. DELEGATION TO BEIJING FOR ANOTHER
ROUND OF CONSULTATIONS. END SUMMARY.

2. VISITING CHINA DESK OFFICER ROBERT WINSHIP AND
ECOFF MET FEBRUARY 26 WITH CHINESE AEROSPACE
OFFICIALS TO DISCUSS SATELLITE LAUNCH ISSUES. THE
CHINESE SIDE INCLUDED FENG YUNXIAO, VICE DIRECTOR OF
THE MINISTRY OF AEROSPACE INDUSTRY'S GENERAL OFFICE;
CHEN ZHONGQING, DEPUTY DIRECTOR GENERAL OF THAT
MINISTRY'S DEPARTMENT OF INTERNATIONAL COOPERATION;
AND ZHOU PIIG, SENIOR COLONEL IN THE FOREIGN AFFAIRS
DEPARTMENT OF THE COMMISSION OF SCIENCE, TECHNOLOGY,
AND INDUSTRY FOR NATIONAL DEFENSE.
/

SATELLITE AGREEMENT AND PRICING ISSUES

3. FENG RECALLED THAT AT THE CONSULTATIONS IN

WASHINGTON LAST OCTOBER THE CHINESE HAD STATED THAT
THEY WERE ACTING ACCORDING TO THE REQUIREMENTS OF THE
1989 AGREEMENT. ON THE CONTRARY, HE SAID, THE CHINESE

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VIEW REMAINED THAT THE U.S. HAD VIOLATED THE AGREEMENT
BY IMPOSING SANCTIONS ON SATELLITE SALES WITHOUT
CONSULTATION.

1. ON SATELLITE LAUNCH PRICES, FENG STATED THAT THERE
WAS NO INTERNATIONAL STANDARD, CITING THE DIFFERENT
PRICES CHARGED BY THE U.S. AND BY FRANCE AS AN
EXAMPLE. CHINA'S PRICES REFLECTED ITS LOW COSTS. HE
ARGUED, AND THEREFORE CHINA WAS ACTING STRICTLY
ACCORDING TO THE AGREEMENT. HE CLAIMED THE U.S. HAD
NOT CONSIDERED WHETHER CHINA'S COSTS WERE REASONABLE.
HE URGED JOINT DISCUSSIONS AMONG THE U.S., FRENCH, AND
CHINESE LAUNCH COMPANIES.

AN APPEAL TO PERMIT LAUNCHES AFTER 1994

5. COLONEL ZHOU COMMENTED THAT CHINA HAD RECEIVED
APPROVAL TO LAUNCH ONLY THREE U.S. SATELLITES BEFORE
SANCTIONS TOOK EFFECT. AFTER A DESULTORY EXCHANGE ON
THE EFFECTIVE DATE OF SANCTIONS (JUNE 1989), THE
CHINESE ARGUED, RATHER THAN JUNE 1991, AND WHETHER
SANCTIONS HAD PREVENTED ANY LAUNCHES, ZHOU NOTED THAT
THE AGREEMENT ALLOWED CHINA TO LAUNCH AN ADDITIONAL
SIX SATELLITES BY 1994. CONCERNED THAT BECAUSE OF THE
SANCTIONS NOT ALL THE PERMITTED LAUNCHES COULD TAKE
PLACE BY THAT TIME, HE WAS INTERESTED IN KNOWING

WHETHER THE U.S. WOULD BE WILLING TO ALLOW LAUNCHES
UNDER THE AGREEMENT IN 1995 OR 1996. HE SAID TALKS
BETWEEN THE TWO SIDES NEEDED TO ADDRESS THIS ISSUE.

AN INVITATION FOR THE NEXT ROUND OF CONSULTATIONS

6. CHEN ZHONGQING NOTED THAT THE CHINESE GOVERNMENT
IS VERY SERIOUS IN ITS OFFER TO ADOPT THE MTCR
GUIDELINES IN EXCHANGE FOR THE LIFTING OF SANCTIONS.
HE BELIEVED THAT COOPERATION ON SPACE LAUNCHES IS GOOD
FOR BOTH SIDES. HE EXPRESSED A WILLINGNESS TO FIND
WAYS TO RESOLVE THE PRICING ISSUES. HE CLOSED BY
NOTING THAT SUN JIAODONG, PRESIDENT OF THE MINISTRY OF
AEROSPACE'S SCIENCE AND TECHNOLOGY COMMITTEE, HAD
ASKED HIM TO CONVEY THE MESSAGE THAT CHINA WOULD LIKE
TO INVITE A U.S. DELEGATION TO BEIJING FOR THE NEXT
ROUND OF CONSULTATIONS.

7. COMMENT. THE CHINESE AEROSPACE OFFICIALS ARE

CLEARLY BELIEVED THAT THE SANCTIONS ARE BEING LIFTED.
WHILE UNWILLING TO BUDGE IN THEIR VIEWS ON PRICING,
THEY AT LEAST TALK AS IF THEY WANT TO EXPLORE WAYS TO
RESOLVE THE ISSUE. END COMMENT. ROY

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